

Bureau of Land Management, Interior**§ 3504.25**

year before the anniversary of the effective date of the lease.

(e) MMS will credit your lease rental for any year against the first production royalties or minimum royalties (see §3504.25 of this part) as the royalties accrue under the lease during that year.

§ 3504.17 What happens if I do not pay my rental on time?

(a) If you do not pay your rental on time for a prospecting permit, your permit will automatically terminate.

(b) If you do not pay your rental for a lease on time, BLM will notify you that unless you pay within 30 days from receipt of the notification, BLM will take action to cancel your lease.

ROYALTIES**§ 3504.20 What are the requirements for paying royalties on production?**

You must pay royalties on any production from your lease in accordance with the terms specified in the lease. See §3504.21 of this part for minimum royalty rates. Your royalty rate will be a percentage of the quantity or gross value of the output of the produced commodity. Apply the royalty rate to the value of the production determined under MMS regulations in Title 30. For asphalt, the minimum royalty is calculated on a cents-per-ton basis. You may not pay your royalty in quantity without BLM's prior approval.

§ 3504.21 What are the minimum royalty rates?

Commodity	Minimum royalty rate
(a) Phosphate	5% of gross value of the output of phosphates or phosphate rock and associated or related minerals.
(b) Sodium	2% of the quantity or gross value of the output of sodium compounds and related products at the point of shipment to market.
(c) Potassium	2% of the quantity or gross value of the output of potassium compounds and related products at the point of shipment to market.
(d) Sulphur	5% of the quantity or gross value of the output of sulphur at the point of shipment to market.
(e) Gilsonite	No minimum royalty rate.
(f) Hardrock Minerals	No minimum royalty rate.
(g) Asphalt	25 cents per ton (2,000 pounds) of marketable production.

§ 3504.22 How will I know what the royalty rate is on my lease production?

BLM determines the rate for each lease before we offer it. If BLM offered the lease competitively, the rates are in the notice of lease sale. If you applied for a noncompetitive lease, BLM will send you a royalty rate schedule for your concurrence and signature before we issue you the lease. BLM attaches royalty rates to, and makes them a part of, all leases.

§ 3504.25 Do I have to produce a certain amount per year?

(a) If your mineral lease was issued, renewed or readjusted any time after April 22, 1986, you must either produce a minimum amount or pay a minimum royalty in lieu of production each lease year. This requirement begins in the sixth lease year or the first full year of a renewed or readjusted lease, whichever comes first. The minimum royalty payment is \$3 per acre or fraction of an

acre. For phosphate, sulphur, gilsonite and hardrock leases, pay the minimum royalty in advance before the lease anniversary date. For sodium, potassium and asphalt leases the minimum royalty is due in advance before January 1 of each year.

(b) MMS will credit any lease rental payment (see §3504.16(d) of this part) against the minimum royalty payment amount due under paragraph (a) of this section. MMS then will credit your minimum royalty as specified under paragraph (a) to your production royalties for that year only. For example, if you pay \$1,000 in rental and you owe \$3,000 in minimum royalties, you will pay a total of \$3,000 for both. If during the lease year you accrue \$10,000 in production royalties, MMS will credit \$3,000 against that amount.

(c) Hardrock mineral leases or development or operating agreements subject to escalating rentals are exempt from minimum production and minimum royalty requirements.